



UNITED STATES ENVIRONMENTAL PROTECTION AGENCY  
WASHINGTON, D.C. 20460

APR 18 2011

OFFICE OF  
AIR AND RADIATION

**MEMORANDUM**

SUBJECT: Revisions to Motor Vehicle Fuel Economy Label; Final Rule; Tier 1; SAN 5414;  
RIN 2060-AQ09 – ACTION MEMORANDUM

FROM: Margo Tsigotis Oge, Director *For Stewart for*  
Office of Transportation and Air Quality

TO: Gina McCarthy  
Assistant Administrator

**I. OVERVIEW**

This joint rulemaking by the Environmental Protection Agency (EPA) and the National Highway Traffic Safety Administration (NHTSA), on behalf of the Department of Transportation, redesigns the current fuel economy label that is posted on the window sticker of all new cars and trucks sold in the U.S. This redesigned fuel economy and environmental label will provide new information to American consumers about the fuel economy and consumption, fuel costs, and environmental impacts associated with purchasing new vehicles beginning with model year 2013 cars and trucks. This action will also develop new labels for advanced technology vehicles which are poised to enter the US market, in particular plug-in hybrid electric vehicles and electric vehicles.

NHTSA and EPA are jointly finalizing these changes; EPA is finalizing all label requirements under its Energy Policy and Conservation Act of 1975 (EPCA) authority while NHTSA is finalizing a subset of the overall label requirements under its Energy Independence and Security Act (EISA) of 2007 authority. Both agencies believe that labels for conventional vehicles can be improved to help consumers make more informed vehicle purchase decisions, and that the time is right to develop new labels for advanced technology vehicles that are being commercialized. The agencies believe that a joint label addressing all energy and environmental information makes far more sense for both consumers and manufacturers than separate labels. This rulemaking is also consistent with the recent joint rulemaking by EPA and NHTSA that established harmonized federal greenhouse gas (GHG) emissions and corporate average fuel economy standards for new cars, sport utility vehicles, minivans, and pickup trucks.<sup>1</sup>

EPA and NHTSA are finalizing a combination of the two co-proposed labels, reflecting

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<sup>1</sup> 75 FR 25324, May 7, 2010.

the fact that each approach had about an equal number of supporters. One approach assigned a letter grade rating to provide a quick and easy way for comparison shopping across new vehicle technologies with respect to the energy efficiency and environmental impacts associated with a particular vehicle. The other approach presented information in a more traditional manner, focusing on MPG and annual fuel costs. The designs of the proposed labels were extensively informed by feedback from several focus groups and an expert panel.

The final label changes will take effect in model year 2013. For those advanced technology vehicles that will be introduced to the market prior to MY2013, EPA will work with individual manufacturers on a case-by-case basis to develop interim labels.

## **II. REGULATORY IMPACTS**

The primary costs associated with this rule come from revisions to the fuel economy label and new testing requirements. We estimate that the costs of this rule are likely to be in the range of \$0.8 – \$5.5 million per year.

The primary benefits associated with this rule come from any improvements in consumer decision-making that may lead to reduced vehicle and fuel costs for them. There may be additional effects on criteria pollutants and greenhouse gas emissions. At this time, EPA and NHTSA do not believe we have data to quantify these impacts.

## **III. STAKEHOLDER INVOLVEMENT**

We have met extensively with auto manufacturers, California, state organizations, and environmental groups.

## **IV. INTERNAL REVIEW**

This action was developed under Tier 1. A formal internal EPA workgroup was convened for this rulemaking with direction, guidance, and input reflected from the workgroup in the development of this rule. The rule has also been reviewed through the inter-agency process.

## **V. PEER REVIEW**

There are no major scientific and technical products supporting this action as defined by the Agency's Peer Review Handbook that require peer review.

## **VI. PLAIN ENGLISH**

We have drafted the final rule in compliance with the principals of "Plain English." Wherever possible, we used simple, non-technical vocabulary and when the use of technical terms was unavoidable, we took care to define these terms in easy-to-understand language.

## **VII. ANTICIPATED EXTERNAL REACTION**

Stakeholders, including auto manufacturers, states, environmental organizations and consumer groups are very supportive of EPA's and NHTSA's overall efforts to revise the fuel economy labels.

Auto manufacturers and dealers are expected to be supportive of the new label. In particular, this label heeds their call for one unified national label by not only addressing the EPCA and the EISA requirements for vehicle labeling of fuel economy and environmental information, but also providing an opportunity for the California Air Resources Board to eliminate their Environmental Performance Label, as well as an optional approach to the Federal Trade Commission's alternative fuel vehicle label. Auto manufacturers are also likely to welcome the fact that the new label adheres to the footprint of the current label, thus minimizing costs. Some manufacturer may wish for revisions that would be beneficial to their vehicle fleet.

Environmental and consumer organizations will welcome the new information on the label, such as the 1-10 Greenhouse Gas Rating, the Five-Year Fuel Costs/Savings information, and, for advanced technology vehicles, range and charge time. They may be disappointed in the lack of a letter grade rating, which was prominent on one of the co-proposed labels, although we tried to accommodate this interest through the 1-10 Greenhouse Gas Rating. Some groups may also be disappointed that the label does not include information on the "upstream" GHG emissions associated with the production and distribution of fuel. Although we decided to only show tailpipe GHG emissions on the label itself, we plan to provide detailed information on upstream GHG emissions online. To help address commenters' concerns, we added language to the label explicitly directing consumers to the appropriate website for this information.

Some academics and federal labs may raise concerns about some of the energy metrics used on the label. We have made revisions since the proposal to address their concerns to the extent possible on a consumer label, although, they may continue to raise academic concerns.

## **VIII. STAFF CONTACTS**

Please contact Lisa Snapp at (734) 214-4282 for any questions regarding this package.

## **IX. RECOMMENDATION**

I recommend that you forward this final rule to the Office of Policy for OMB review.